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DEPARTMENT FOR WHA/CAR, WHA/EPSC (F. CORNEILLE) AND
EEB/ESC/IEC (M. MCMANUS)
DEPARTMENT PASS TO DEPARTMENT OF ENERGY

E.O. 12958: N/A

TAGS: ENRG EAGR ETRO EAID EPET EINV PGOV PREL BB
SUBJECT: INTEREST IN BARBADOS OFFSHORE OIL BIDS HIGH

SUMMARY

¶1. (SBU) P/E Chief and Deputy met with the country managers for Simpson Oil (SOL) and Shell Trading Company (Eastern Caribbean) on September 13, 2007 to discuss the energy market in the Eastern Caribbean, prospects for renewable energy and the upcoming bid for oil block exploration, announced by the GOB in June, 2007. Bids are due late November, and over 60 companies have expressed preliminary interest. Contracts are expected to be awarded late December or early January 2008 for 24 exploration blocks. End Summary

Bidding for 24 Off Shore Oil Blocks - Due End of the Year

¶2. (SBU) In June, 2007 the GOB launched its offshore oil exploration licensing round for 24 off shore blocks. Bidding rules have just been published, offers are due in November - December, 2007 and contracts are expected to be awarded in December or January, 2008. According to press reports, over 60 companies (including U.S. firms like Chevron, Marathon, and Exxon-Mobile), have expressed preliminary interest in bidding for the blocks. In a Press release announcing the launch, the Minister of Energy emphasized that oil companies, rather than the government, would be financing the oil exploration projects. The government would receive revenue from fees charged on the bidding process and subsequent developments. The Minister also noted that the country's expenditure on energy has jumped from \$175 million to \$450 million annually. Barbados currently produces 1,000 bbl of crude oil a day from onshore sources (about 15% of consumption).

¶3. (SBU) Our interlocutors told us there was strong industry interest in the grid. They did note however that neither the Mexicans or the Venezuelans were considering making bids at this time. They also pointed out that it would be at least eight years before any large scale production could come on line. The oil would also have to be refined offshore in Jamaica, Trinidad, the U.S., Mexico or Venezuela as Barbados lacks any refining capability. If the fields become productive, our contacts say, Barbados could be a significant oil exporter, since no company would bother bringing fields on-line unless there was significant production possibility, owing to the relatively greater cost of drilling in the deep seas off Barbados.

¶4. (SBU) Our interlocutors also discussed the possibility of developing alternative energy in the region, including biodiesel. They noted that the current best prospects were in wind, natural gas (again depending on the outcome of geological surveys of the offshore grids), and geo-thermal. They cautioned, though, that there was still significant opposition in many communities to large-scale generation

fields onshore, owing to perceived damage to tourism and more generalized aesthetic concerns. They concluded that, with the exception of biodiesel, which had potential ancillary political benefits in the agricultural employment area, the cost-benefit calculation for new energy sources in these tiny economies would likely favor oil over alternatives for the foreseeable future.

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